

**SOUTH SANPETE SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**For The Year Ended June 30, 2006**

# SOUTH SANPETE SCHOOL DISTRICT

## TABLE OF CONTENTS

	<u>Page</u>
<b>FINANCIAL SECTION:</b>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets.....	12
Statement of Activities.....	13
<b>Fund Financial Statements:</b>	
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	18
Statement of Fiduciary Net Assets – Agency Fund.....	19
Notes to Basic Financial Statements.....	20
<b>Supplementary Information:</b>	
<b>Combining and Individual Fund Statements and Schedules:</b>	
Combining Balance Sheet – Nonmajor Governmental Funds.....	33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	34
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – <i>Non K-12 Programs</i> – Nonmajor Special Revenue Fund.....	35

# SOUTH SANPETE SCHOOL DISTRICT

## TABLE OF CONTENTS (Continued)

	<u>Page</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – <i>School Lunch</i> – Nonmajor Special Revenue Fund .....	36
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – <i>Major Debt Service Fund</i> .....	37
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – <i>Major Capital Projects Fund</i> .....	38
Statement of Changes in Assets and Liabilities – <i>Student Activities</i> <i>Agency Fund</i> .....	39
Gunnison Valley Prison Funds .....	40
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	41
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	43
Schedule of Expenditures of Federal Awards .....	45
Notes to the Schedule of Expenditures of Federal Awards .....	46
Independent Auditors' Report on State of Utah Legal Compliance .....	47
Schedule of Findings and Questioned Costs .....	49
Summary Schedule of Prior Year Findings .....	51
Response to Findings and Questioned Costs .....	52



---

**Jensen & Keddington, P.C.**

Certified Public Accountants

Jeffrey B. Jensen, CPA  
Gary K. Keddington, CPA  
Brent E. Christensen, CPA  
Jeffrey B. Hill, CPA

## **INDEPENDENT AUDITORS' REPORT**

To The President and Members  
of the Board of Education of  
South Sanpete School District  
Manti, Utah

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Sanpete School District (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of South Sanpete School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Sanpete School District, as of June 30, 2006, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 7, 2006 on our consideration of South Sanpete School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on the compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, as noted on the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Sanpete School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, combining nonmajor fund financial statements and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the combining nonmajor fund financial statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Janson & Keddington*

November 7, 2006

**SOUTH SANPETE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For The Year Ended June 30, 2006**

As management of the South Sanpete School District (the District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2006. We encourage readers to consider the information presented here, in conjunction with the District's basic financial statements which begin on page 12.

**Financial Highlights**

- The District's total net assets increased by \$1,288,441, as a result of the net effect of an overall net change in governmental fund balances for the year of \$2,074,614, recognition of depreciation as an expenditure for capital assets of \$956,438, the reclassification of debt principal payments and capital assets purchased of \$435,000 and \$639,034, respectively, out of governmental expenditures, and the reclassification from the issuance of \$800,000 of new notes payable out of other financing sources and uses. See the "Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities" on page 17.
- At the end of the current fiscal year, assets of the District exceeded liabilities by \$20,024,060.
- General long term liabilities of the District increased by \$549,270 during the current fiscal year.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 12 - 13 of this report.

**Fund financial statements.** A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

**SOUTH SANPETE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the capital projects fund, all of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the supplemental information in this report.

The District adopts an annual appropriated budget for its General Fund, Debt Service Fund, and Capital Projects Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14 – 17 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

The District uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 19 of this report.

**Notes to the basic financial statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 – 31 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 33 – 40 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$20,024,060 at the close of the most recent fiscal year.

The largest portion of the District's net assets (75%) reflects its investments in capital assets (e.g., land, water stock, buildings and improvements, furniture and equipment and vehicles and buses), less any related debt (general obligation bonds payable, notes payable and obligations under capital leases) used to acquire those assets, that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**SOUTH SANPETE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

**South Sanpete School District's Net Assets**

	2006	2005
Current and other assets	\$ 10,517,714	\$ 7,296,747
Capital assets	20,855,101	21,192,581
<b>Total Assets</b>	<b>\$ 31,372,815</b>	<b>\$ 28,489,328</b>
Other liabilities	\$ 5,987,370	\$ 4,895,634
Long-term liabilities outstanding	5,361,385	4,858,075
<b>Total Liabilities</b>	<b>11,348,755</b>	<b>9,753,709</b>
Net assets:		
Invested in capital assets, net of related debt	15,072,756	15,959,506
Restricted	3,316,025	1,711,945
Unrestricted	1,635,279	1,064,168
<b>Total Net Assets</b>	<b>20,024,060</b>	<b>18,735,619</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 31,372,815</b>	<b>\$ 28,489,328</b>

An additional portion of the District's net assets (17%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets \$1,635,279 may be used to meet the District's ongoing obligations to students, employees, and creditors. The unrestricted net asset amount has been earmarked for the following purposes.

- Designation for undistributed reserve of \$500,000 or 5% of general fund budgeted revenues. As allowed by state law, the District has established an undistributed reserve within the General Fund set aside for contingencies or possible reductions in state funding and not to be used in negotiation or settlement of contract salaries.
- At the end of the current fiscal year, the District is able to report positive balances in all of the three categories of net assets, for the District as a whole.

Restricted net assets increased by \$1,604,080 during the year ended June 30, 2006. This increase was due to the results of operations in the Capital Projects Fund providing significant positive variance in total capital expenditures, and the issuance of new notes in the amount of \$800,000.

The total net assets of the District increased by \$1,288,441 during the current fiscal year. This was due to an increase in funding from federal and state agencies for nonspecific programs. Also, expenses for the District decreased by approximately \$44,000 from the prior year. Also, net assets were increased due to the reclassification of debt principal payments and capitalized assets purchased of \$435,000 and \$639,035, respectively, out of governmental expenditures.



**SOUTH SANPETE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

The key elements of the increase of the District's net assets for the year ended June 30, 2006 are as follows:

**South Sanpete School District's Changes in Net Assets**

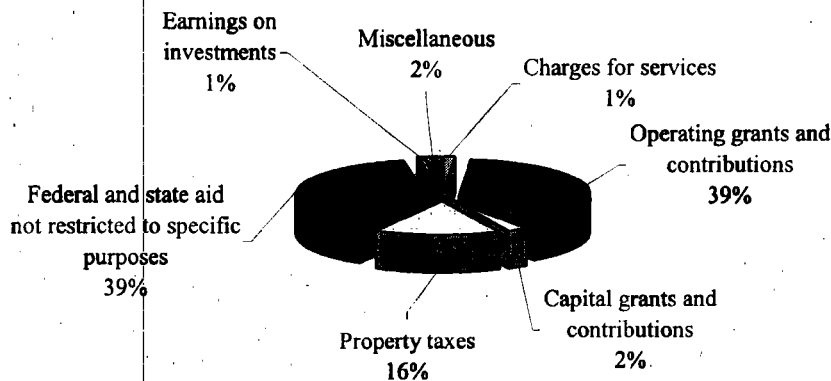
	2006	2005	Increase (Decrease)
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 301,223	\$ 287,630	\$ 13,593
Operating grants and contributions	8,654,160	9,078,767	(424,607)
Capital grants and contributions	539,058	565,154	(26,096)
General revenues:			
Property taxes	3,449,389	3,334,757	114,632
Federal and state aid not restricted to specific purposes	8,634,248	7,955,087	679,161
Earnings on investments	196,077	97,840	98,237
Miscellaneous	401,358	299,870	101,488
<b>Total Revenues</b>	<b>22,175,513</b>	<b>21,619,105</b>	<b>556,408</b>
<b>Expenses:</b>			
Instructional services	14,236,952	14,643,113	(406,161)
Supporting services:			
Students	587,472	550,268	37,204
Instructional staff	765,900	529,065	236,835
District administration	364,887	312,242	52,645
School administration	736,306	683,754	52,552
Business	232,540	213,752	18,788
Operation and maintenance of facilities	1,805,300	1,834,678	(29,378)
Transportation	796,534	743,502	53,032
Other	1,528	2,352	(824)
School lunch services	1,024,741	1,065,599	(40,858)
Interest on long-term liabilities	172,604	191,094	(18,490)
<b>Total Expenses</b>	<b>20,724,764</b>	<b>20,769,419</b>	<b>(44,655)</b>
<b>Excess (deficiency) before special items and Transfers</b>	<b>1,450,749</b>	<b>849,686</b>	<b>601,063</b>
<b>Special Item - prior year grant not received</b>	<b>(162,308)</b>	<b>-</b>	<b>(162,308)</b>
<b>Increase in Net Assets</b>	<b>1,288,441</b>	<b>849,686</b>	<b>438,755</b>
<b>Net Assets - Beginning</b>	<b>18,735,619</b>	<b>17,885,933</b>	<b>849,686</b>
<b>Net Assets - Ending</b>	<b>\$ 20,024,060</b>	<b>\$ 18,735,619</b>	<b>\$ 1,288,441</b>

- The largest dollar decrease in revenue is under operating grants and contributions. This decrease is the result of less money received from State and Federal governments.
- The largest dollar increase in revenue is under Federal and State and aid not restricted to specific purposes. This increase is the result of additional money received from State and Federal governments.

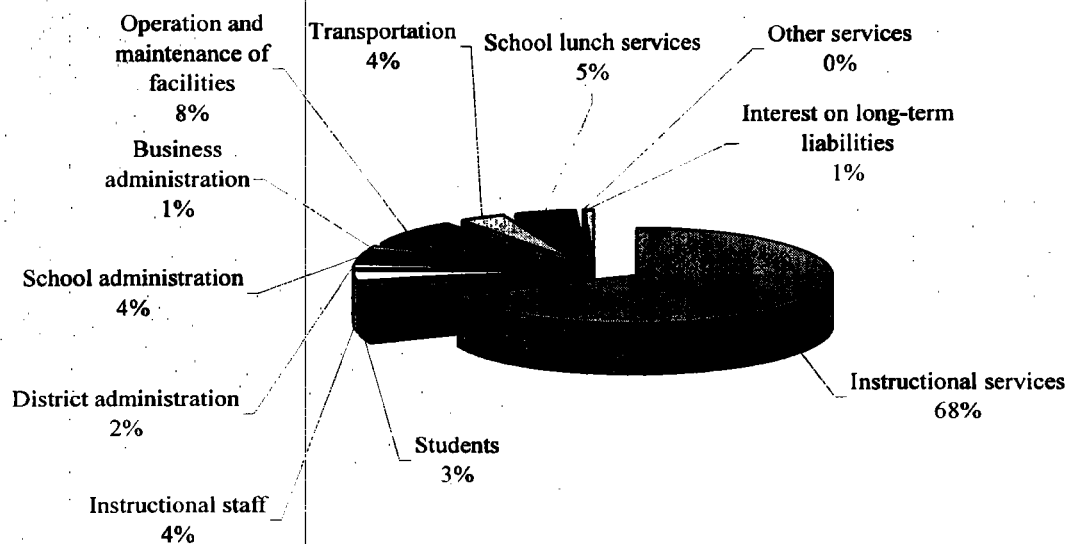
**SOUTH SANPETE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

- Instructional services decreased due to an decrease in salaries and benefits paid to or for the benefit of employees and other professionals of the District.
- Operation and maintenance of facilities decreased due to maintenance costs at individual schools throughout the District.

**(Revenues by Source)**



**(Expenses by Function)**



**SOUTH SANPETE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

**Financial Analysis of the District's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. The unreserved fund balance is divided between designated balances and undesignated balances. The District has designated portions of the unreserved fund balance to earmark resources for certain government-wide liabilities. Undesignated balances in the General Fund are required by state law to be appropriated in the following year's budget. Fund balances of Capital Projects and other governmental funds are restricted by state law to be spent for the purpose of the fund and are not available for spending at the District's discretion.

**General Fund.** The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unreserved and undesignated fund balance was \$1,135,279 while the total fund balance was \$1,635,279. The total fund balance and the unreserved and undesignated fund balance increased by \$504,785. Key factors in this increase are as follows:

- Operating grants and contributions from the State of Utah increased by \$432,785 primarily as a result of grants the District received for funding projects and programs exceeding expectations.
- There were transfers in from other funds in the amount of 290,284. This was a transfer from Non K-12 programs for indirect expenses incurred by the General fund.
- General fund salaries and benefits totaled \$9,968,159 and \$4,467,043 respectively, for the year ended June 30, 2006.

The Capital Projects Fund has a total fund balance of \$2,361,229, all of which is restricted for acquisition of capital assets and related expenditures. The fund balance increased by \$1,189,762 during the current year due to the result of operations providing significant positive variance in total capital expenditures and the issuance of \$800,000 of new notes payable.

The Debt Service Fund has a total fund balance of \$678,714, all of which is reserved for the payment of debt service on general obligation bonds. The fund balance increased by \$671,416 during the current year primarily because the property tax and state aid receipts exceeded the debt payments for the current fiscal year. Also, the District issued \$2,415,000 of Refunding bonds during the year, and deferred payments on Notes payable of approximately \$824,000.

The Non K-12 special revenue fund has a total fund balance of \$172,455, all of which is unrestricted. The fund balance decreased by \$368,023 during the current year.

The School Lunch special revenue fund balance of \$55,570 is restricted to the school lunch program. The fund in the prior year reported a negative fund balance of (\$21,104), but due to transfers from the General fund and the results of operations, the negative fund balance was completely removed during the current fiscal year.

**General Fund Budgetary Highlights**

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding.

The difference between the original budget and the final amended budget was an increase of \$882,391 or 5.0% of total general fund expenditures as summarized as follows:

**SOUTH SANPETE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

- \$1,021,776 or 8.2% increase in instruction services.
- \$44,865 or 6.6% increase in instructional staff.
- \$235,000 or 12.8% decrease in operational and maintenance of facilities.

During the year final budgeted revenues were greater than original budgetary estimates by \$265,967, or 1.6%.

During the current fiscal year, the \$446,767 positive budget to actual variance in total General Fund revenues, and the \$1,461,720 positive budget to actual variance in total general fund expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Program revenues are budgeted to spend all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenues received but not spent is restricted and deferred to the subsequent year.

**Capital Asset and Debt Administration**

**Capital Assets.** The Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets at June 30, 2006 and 2005 are outlined below:

**South Sanpete School District's Capital Assets  
(Net of Depreciation)**

	2006	2005
<b>Capital Assets, Not Being Depreciated</b>		
Land	\$ 848,451	\$ 868,527
Water stock	833,820	833,820
Construction in progress	128,000	-
<b>Total Capital Assets, Not Being Depreciated</b>	<b>1,810,271</b>	<b>1,702,347</b>
<b>Capital Assets, Being Depreciated</b>		
Vehicles and buses	762,592	762,881
Buildings and improvements	17,995,070	18,522,543
Furniture and equipment	287,168	204,810
<b>Total Capital Assets, Being Depreciated</b>	<b>19,044,830</b>	<b>19,490,234</b>
<b>Total Capital Assets</b>	<b>\$ 20,855,101</b>	<b>\$ 21,192,581</b>

Additional information on the District's capital assets can be found in Note 3 to the basic financial statements.

**Debt Administration**

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2006 is \$14,251,989. General obligation debt at June 30, 2006 is \$2,779,270, resulting in a legal debt margin of \$11,472,719.

During the current fiscal year the District issued \$2,415,000 of Series 2005 GO Refunding bonds, to partially advance refund the 1997 GO Bonds. Also the District issued new Notes payable in the amount of \$800,000 and deferred payments on the existing and new notes for two years.

**SOUTH SANPETE SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)  
For The Year Ended June 30, 2006**

**South Sanpete School District's Outstanding Debt**

	<u>2006</u>	<u>2005</u>
General long-term liabilities	<u>\$ 5,782,345</u>	<u>\$ 5,233,075</u>

Additional information on the District's long-term debt can be found in Note 5 to the basic financial statements.

**Requests for Information**

This financial report is designed to provide a general overview of the South Sanpete School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, South Sanpete School District, 39 South Main, Manti, UT 84642.

## **BASIC FINANCIAL STATEMENTS**

**SOUTH SANPETE SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**June 30, 2006**

**Assets:**

Cash and investments	\$ 6,186,004
Receivables:	
Property taxes	3,065,858
Other governments	969,388
Other	125,136
Inventories	53,117
Deferred charges	118,211
Capital Assets, not being depreciated:	
Land	848,451
Water Stock	833,820
Construction in progress	128,000
Capital Assets, net of accumulated depreciation:	
Buildings and improvements	17,995,070
Vehicles and buses	762,592
Furniture and equipment	287,168
<b>Total Assets</b>	<b>\$ 31,372,815</b>

**Liabilities:**

Accounts payable	\$ 228,852
Accrued interest	70,154
Accrued salaries and related benefits	2,439,058
Deferred revenue:	
Federal sources	10,343
Property taxes	2,818,003
Noncurrent liabilities:	
Due within one year	420,960
Due in more than one year	5,361,385
<b>Total Liabilities</b>	<b>11,348,755</b>

**Net Assets:**

Invested in capital assets, net of related debt	15,072,756
Restricted for:	
Debt service	726,771
Non K-12 programs	172,455
School lunch	55,570
Capital projects	2,361,229
Unrestricted	1,635,279
<b>Total Net Assets</b>	<b>20,024,060</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 31,372,815</b>

The notes to the basic financial statements are an integral part of this statement.

**SOUTH SANPETE SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2006**

Functions	Expenses	Program Revenues			Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Instructional services	\$ 14,236,952	\$ 17,949	\$ 6,942,803	\$ -	\$ (7,276,200)
Supporting services:					
Students	587,472	-	-	-	(587,472)
Instructional staff	765,900	-	89,634	-	(676,266)
District administration	364,887	-	109,440	-	(255,447)
School administration	736,306	-	276,469	-	(459,837)
Business administration	232,540	-	-	-	(232,540)
Operation and maintenance of facilities	1,805,300	-	-	539,058	(1,266,242)
Transportation	796,534	-	502,053	-	(294,481)
Other services	1,528	-	-	-	(1,528)
School lunch services	1,024,741	283,274	733,761	-	(7,706)
Interest on long-term liabilities	172,604	-	-	-	(172,604)
<b>Total District</b>	<b>\$ 20,724,764</b>	<b>\$ 301,223</b>	<b>\$ 8,654,160</b>	<b>\$ 539,058</b>	<b>(11,230,323)</b>
<b>General Revenues:</b>					
Property taxes levied for:					
General purposes					1,746,827
Transportation					124,713
Debt service					1,176,470
Capital outlay					401,379
Federal and state aid not restricted to specific purposes					8,634,248
Unrestricted investment earnings					196,077
Miscellaneous					401,358
Total General Revenues					12,681,072
Special Item - prior year grant not received					(162,308)
Change in Net Assets					1,288,441
Net Assets - Beginning					18,735,619
Net Assets - Ending					<u>\$ 20,024,060</u>

The notes to the basic financial statements are an integral part of this statement.



**SOUTH SANPETE SCHOOL DISTRICT**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2006**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and investments	\$ 3,072,483	\$ 594,180	\$ 2,221,497	\$ 297,844	\$ 6,186,004
Due from other governments	868,630	-	-	100,758	969,388
Inventories	-	-	-	53,117	53,117
Property taxes receivable	1,580,161	1,014,596	471,101	-	3,065,858
Receivables - other	3,562	-	121,574	-	125,136
<b>Total Assets</b>	<b>\$ 5,524,836</b>	<b>\$ 1,608,776</b>	<b>\$ 2,814,172</b>	<b>\$ 451,719</b>	<b>\$ 10,399,503</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 206,075	\$ -	\$ 18,513	\$ 4,264	\$ 228,852
Accrued salaries	2,229,971	-	-	209,087	2,439,058
Deferred revenue:					
Local sources	-	-	-	10,343	10,343
Property taxes	1,453,511	930,062	434,430	-	2,818,003
<b>Total Liabilities</b>	<b>3,889,557</b>	<b>930,062</b>	<b>452,943</b>	<b>223,694</b>	<b>5,496,256</b>
<b>Fund Balances:</b>					
Unreserved:					
Designated for:					
Undistributed reserve	500,000	-	-	-	500,000
Undesignated, reported in:					
General fund	1,135,279	-	-	-	1,135,279
Debt service	-	678,714	-	-	678,714
Capital projects fund	-	-	2,361,229	-	2,361,229
Special revenue funds	-	-	-	228,025	228,025
<b>Total Fund Balances</b>	<b>1,635,279</b>	<b>678,714</b>	<b>2,361,229</b>	<b>228,025</b>	<b>4,903,247</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,524,836</b>	<b>\$ 1,608,776</b>	<b>\$ 2,814,172</b>	<b>\$ 451,719</b>	<b>\$ 10,399,503</b>

The notes to the basic financial statements are an integral part of this statement.

**SOUTH SANPETE SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF NET ASSETS**

**June 30, 2006**

<b>Total Fund Balance - Governmental Funds</b>	<b>\$ 4,903,247</b>
Amounts reported for governmental activities in the <i>Statement of Net Assets</i> are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$37,223,511 less the accumulated depreciation of \$16,368,410. (As shown in Note 3 of the Notes to Basic Financial Statements.)	20,855,101
Deferred charges, an other long-term asset, are reported as expenditures in the governmental funds.	118,211
Interest on general obligation bonds is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(70,154)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds. A detail of the long-term liabilities is shown in Note 5 of the Notes to Basic Financial Statements.	<u>(5,782,345)</u>
<b>Total Net Assets - Governmental Activities</b>	<b><u>\$ 20,024,060</u></b>

The notes to the basic financial statements are an integral part of this statement.

**SOUTH SANPETE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES – GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2006**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Property taxes	\$ 1,762,576	\$ 1,176,470	\$ 510,343	\$ -	\$ 3,449,389
Earnings on investments	121,622	15,487	58,968	-	196,077
School lunch sales	-	-	-	283,274	283,274
Other local sources	370,297	3,370	-	45,640	419,307
State revenue	13,239,505	-	539,058	1,801,044	15,579,607
Federal revenue	1,576,188	-	-	671,671	2,247,859
<b>Total Revenues</b>	<b>17,070,188</b>	<b>1,195,327</b>	<b>1,108,369</b>	<b>2,801,629</b>	<b>22,175,513</b>
<b>Expenditures:</b>					
Current:					
Instructional services	12,185,568	-	-	1,562,145	13,747,713
Supporting services:					
Students	384,348	-	-	-	384,348
Instructional staff	761,418	-	-	-	761,418
District administration	313,468	-	-	-	313,468
School administration	705,216	-	-	-	705,216
Business administration	232,540	-	-	-	232,540
Operation and maintenance					
of facilities	1,538,665	-	-	137,880	1,676,545
Transportation	672,936	-	-	-	672,936
Other support services	1,528	-	-	-	1,528
School lunch services	-	-	-	1,000,361	1,000,361
Capital outlay	-	-	750,407	-	750,407
Debt service:					
Principal retirement	-	435,000	-	-	435,000
Interest and fiscal charges	-	88,911	-	-	88,911
Debt issuance costs on refunding	-	49,524	-	-	49,524
<b>Total Expenditures</b>	<b>16,795,687</b>	<b>573,435</b>	<b>750,407</b>	<b>2,700,386</b>	<b>20,819,915</b>
<b>Excess (Deficiency) of Revenue Over (Under) Expenditures</b>	<b>274,501</b>	<b>621,892</b>	<b>357,962</b>	<b>101,243</b>	<b>1,355,598</b>
<b>Other Financing Sources (Uses):</b>					
Refunding bond issued	-	2,415,000	-	-	2,415,000
Premium on issuance of bond	-	39,733	-	-	39,733
Payment to refunding bond escrow	-	(2,405,209)	-	-	(2,405,209)
Proceeds from debt	-	-	800,000	-	800,000
Sale of capital assets	-	-	31,800	-	31,800
Transfers in	290,284	-	-	60,000	350,284
Transfers out	(60,000)	-	-	(290,284)	(350,284)
Special Item - prior year grant not received	-	-	-	(162,308)	(162,308)
<b>Total Other Financing Sources (Uses)</b>	<b>230,284</b>	<b>49,524</b>	<b>831,800</b>	<b>(392,592)</b>	<b>719,016</b>
<b>Net Change in Fund Balances</b>	<b>504,785</b>	<b>671,416</b>	<b>1,189,762</b>	<b>(291,349)</b>	<b>2,074,614</b>
<b>Fund Balances - Beginning</b>	<b>1,130,494</b>	<b>7,298</b>	<b>1,171,467</b>	<b>519,374</b>	<b>2,828,633</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,635,279</b>	<b>\$ 678,714</b>	<b>\$ 2,361,229</b>	<b>\$ 228,025</b>	<b>\$ 4,903,247</b>

The notes to the basic financial statements are an integral part of this statement.

**SOUTH SANPETE SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2006**

**Net change in fund balances - governmental funds** **\$ 2,074,614**

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the *Statement of Activities*, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$ 639,034	
Loss on disposal of capital assets	11,724	
Proceeds from sales of capital assets	(31,800)	
Depreciation expense	<u>(956,438)</u>	
		(337,480)

The governmental funds report repayment of bond principal as an expenditure. In the *Statement of Activities*, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of the general obligation bonds and related items is as follows:

Interest expense - bonds payable	(17,634)	
Repayment of bond principal	<u>435,000</u>	
		417,366

The issuance of long-term debt provides current financial resources to governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Premium on issuance of bonds	(39,733)	
Debt issuance costs	49,524	
Proceeds on refunding bonds	(2,415,000)	
Payment to refunded bond escrow agent	2,405,209	
Amortization of deferred charges	(71,522)	
Amortization of premium	5,463	
Proceeds on notes payable	<u>(800,000)</u>	
		<u>(866,059)</u>

<b>Change in net assets of governmental activities</b>		<b>\$ <u>1,288,441</u></b>
--	--	----------------------------

The notes to the basic financial statements are an integral part of this statement.

**SOUTH SANPETE SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – GENERAL FUND**  
**For The Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues:</b>				
Property taxes	\$ 1,342,568	\$ 1,624,000	\$ 1,762,576	\$ 138,576
Earnings on investments	10,000	36,000	121,622	85,622
Other local sources	656,000	546,367	370,297	(176,070)
State revenue	12,727,886	12,761,054	13,239,505	478,451
Federal revenue	1,621,000	1,656,000	1,576,188	(79,812)
<b>Total Revenues</b>	<b>16,357,454</b>	<b>16,623,421</b>	<b>17,070,188</b>	<b>446,767</b>
<b>Expenditures:</b>				
Current:				
Instructional services	12,526,716	13,548,492	12,185,568	1,362,924
Supporting services:				
Students	414,000	420,000	384,348	35,652
Instructional staff	674,900	719,765	761,418	(41,653)
District administration	337,500	345,000	313,468	31,532
School administration	701,000	713,750	705,216	8,534
Business administration	246,000	238,500	232,540	5,960
Operation and maintenance of facilities	1,829,000	1,594,000	1,538,665	55,335
Transportation	643,200	676,200	672,936	3,264
Other support services	2,700	1,700	1,528	172
<b>Total Expenditures</b>	<b>17,375,016</b>	<b>18,257,407</b>	<b>16,795,687</b>	<b>1,461,720</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(1,017,562)</b>	<b>(1,633,986)</b>	<b>274,501</b>	<b>1,908,487</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in		553,492	290,284	(263,208)
Transfers out	(70,000)	(50,000)	(60,000)	(10,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(70,000)</b>	<b>503,492</b>	<b>230,284</b>	<b>(273,208)</b>
<b>Net Change in Fund Balances</b>	<b>(1,087,562)</b>	<b>(1,130,494)</b>	<b>504,785</b>	<b>1,635,279</b>
<b>Fund Balances - Beginning</b>	<b>1,130,494</b>	<b>1,130,494</b>	<b>1,130,494</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 42,932</b>	<b>\$ -</b>	<b>\$ 1,635,279</b>	<b>\$ -</b>

The notes to the basic financial statements are an integral part of this statement.

**SOUTH SANPETE SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET ASSETS – AGENCY FUND**  
**June 30, 2006**

	<u>Student Activities Fund</u>
<b>Assets:</b>	
Cash and investments	<u>\$      414,974</u>
<b>Liabilities:</b>	
Due to student groups	<u>\$      414,974</u>

The notes to the basic financial statements are an integral part of this statement.

## SOUTH SANPETE SCHOOL DISTRICT NOTES TO BASIC FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of South Sanpete School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

#### The Reporting Entity

The District's Board of Education is the basic level of government which has financial accountability, responsibility and control over all activities related to the public school education in the District's boundaries. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by the related Governmental Accounting Standards Board Statement 14, since the Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operation and primary accountability for fiscal matters.

The District's basic financial statements include all of the District's operations. The basic financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from South Sanpete School District.

During February of 2006, the Municipal Building Authority of South Sanpete School District was organized. The Municipal Building Authority of South Sanpete School District (MBA) is a separate legal entity, but is governed by the school board of the District. The MBA is a component unit of the District. There was no activity conducted by the MBA during the fiscal year ended June 30, 2006 to be reported in these financial statements.

#### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*, as are internally dedicated resources.

Separate financial statements are provided for governmental funds and a fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**SOUTH SANPETE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they become available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the District receives cash.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, reserves, fund equity, revenues and expenditures, as appropriate. The various funds are summarized by type in the fund financial statements. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following fund types are used by the District:

GOVERNMENTAL FUND TYPES

General Fund (a major governmental fund) - The general fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from this fund.

Debt Service Fund (a major governmental fund) - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Fund (a major governmental fund) - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.



**SOUTH SANPETE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Basis of Presentation - Fund Accounting (Continued)

GOVERNMENTAL FUND TYPES (Continued)

Special Revenue Funds (non-major governmental funds) - Special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects). The *Non K-12 Programs Fund* is statutorily segregated to account for financing as authorized by Utah state law; this fund includes community recreation, preschool, and adult education programs. The *School Lunch Fund* is deemed to be a special revenue fund as a result of substantial local, state, and federal subsidies.

FIDUCIARY FUND TYPE

Agency Fund - The Student Activities Agency Fund is used to account for assets held by the District in an agent capacity for student body groups. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Budgetary Data

The District is required by state law to adopt annual budgets for the General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. Each budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end with the exception of those indicated as a fund balance reserve.

The School Board follows these procedures in establishing the budgetary data reflected in the financial statements -

- (a) Prior to May 31, the District Business Administrator submits to the District's Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Copies of the proposed budget are made available for public inspection and review by the patrons of the District.
- (b) Public hearings are conducted in the District to obtain taxpayer comments.
- (c) Prior to June 15, the budget is formally adopted after a public hearing.
- (d) The School Board is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved at a public hearing.
- (e) Minor interim adjustments in estimated revenue and appropriations during the year ended June 30, 2006, have been included in the final budget approved by the Board, as presented in the fund financial statements.
- (f) Expenditures may not legally exceed budgeted appropriations at the fund level.

Negative variances in total revenues and the positive variances in total expenditures are largely a result of the federal and state program revenues and related expenditures that do not have a direct impact on the undesignated fund balance. Budgets generally assume the expenditure of all available resources. Therefore, when the budget is prepared, it is assumed these funds will not have a carryover of revenue to a subsequent year. Program revenue received but not spent is

# SOUTH SANPETE SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Budgetary Data (Continued)

restricted and deferred to the subsequent fiscal year. As a result, overall fund revenues variances will be negative, and overall fund expenditures variances will be positive.

#### Investments

Investments of the District are stated at fair value. All investments are at the Utah Public Treasurer's Investment Trust.

#### Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

Other receivables at June 30, 2006 consist of property tax and grants. Taxes and grants are deemed collectible in full.

#### Inventories

Inventories held by the School Lunch Fund are stated at cost. Federal commodity inventory is valued at fair market value as determined by the United States Department of Agriculture price lists. Commodities used during the year are reported as revenues and expenditures in the fund financial statements. Non-consumed federal food commodities on hand at year-end are recorded as deferred revenue. The consumption method of accounting is applied to all inventories.

#### Capital Assets

Capital assets, which include land, water stock, buildings and improvements, and furniture and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Building improvements and portable classrooms	20
Buses	10
Musical instruments	10
Furniture	10
Office equipment	10
Athletic equipment	5
Vehicles	5
Audio visual equipment	5
Computer equipment	5

**SOUTH SANPETE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

General Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designation of fund balance represents tentative plans for future use of financial resources that are subject to change.

Designated Fund Balance

The Members of the Board of Education of the District have elected to designate \$500,000 of the unreserved fund balance of the General Fund for subsequent years' expenditures.

Excess of Expenditures over Appropriations

For the year ended June 30, 2006, expenditures exceeded appropriations in the School Lunch special revenue fund by \$3,861. These over expenditures were funded by an operating transfer from the General Fund.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition - Property Taxes

Property taxes are collected by the County Treasurer and subsequently remitted to the District. Real property taxes are assessed on the taxable value of real property (as of January 1<sup>st</sup>) and are due and payable by November 30 of each year after which time they become delinquent. An accrual of uncollected current and prior year's taxes has not been made. The County Treasurer collects personal property taxes and fees in lieu of tax and remits them to the District monthly.

# SOUTH SANPETE SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition - Property Taxes (Continued)

The certified tax rates and property tax allocation are as follows:

Minimum basic school	0.001720
Transportation	0.000293
Tort liability	0.000057
Debt service	0.002764
Capital outlay	0.000943
Additional	0.000256
Voted Leeway	0.001560
Local incentive	0.000511
	<hr/>
	<hr/> 0.008104 <hr/>

### NOTE 2 CASH AND INVESTMENTS

The District utilizes a pooled arrangement for its cash. Interest is allocated on the basis of the amount contributed to the cash pool by fund for specific time periods.

The District's deposit and investment policy is to follow the Utah Money Management Act. However, the District does not have a separate deposit or investment policy that addresses specific types of deposit and investment risks to which the District is exposed.

The District follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 51, Chapter 7) in handling its depository and investment transactions. This law requires the depositing of District funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the state commissioner of financial institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Money Management Act also governs the scope of securities allowed as appropriate investments for the District and conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

The District invests in the Public Treasurer's Investment Fund (PTIF) which is a voluntary external Local Governmental Investment Pool managed by the Utah State Treasurer's Office and is audited by the Utah State Auditor. No separate report as an external investment pool has been issued for the PTIF. The PTIF is not registered with the SEC as an investment company and is not rated. The PTIF is authorized and regulated by the Utah Money Management Act, (Utah Code Title 51, Chapter 7). PTIF invests in high-grade securities which are delivered to the custody of the Utah State Treasurer, assuring a perfected interest in the securities, and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. The maximum weighted average life of the portfolio does not exceed 90 days. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated to participants on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance. The PTIF allocates income and issues statements on a monthly basis. Twice a year, at June 30 and December 31, which are the accounting periods for public entities, the investments are valued at fair value and participants are informed of the fair value valuation factor. Additional information is available at the Utah State Treasures' Office.

**SOUTH SANPETE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 2 CASH AND INVESTMENTS (Continued)**

As of June 30, 2006, the District had the following deposits and investments:

<u>Deposit and investment type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash on deposit	\$ 3,194,958	\$ 3,194,958
State Treasurer's investment pool	3,480,139	3,479,025
	<u>\$ 6,675,097</u>	<u>\$ 6,673,983</u>

**Deposits**

At June 30, 2006, the carrying amount of the District's deposits was \$2,705,865 and the bank balance was \$3,194,958 in accounts covered by federal deposit insurance up to \$100,000. Deposits are not required to be collateralized by state statute.

The District's cash and cash equivalents and investments are exposed to certain risks as outlined below:

*Interest rate risk* is the risk that changes in the interest rates will adversely affect the fair value of an investment. The District manages its exposure by investing only in the Utah Public Treasurers Investment Fund, which is managed by the Utah State Treasurer's Office.

*Credit risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District only invests in the Utah Public Treasurer's Investment Fund. As of June 30, 2006, the Utah Public Treasurer's Investment Fund was unrated.

*Concentration of credit risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

*Custodial credit risk – deposits* is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$3,094,958 of the District's \$3,194,958 balance of deposits was exposed to custodial risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments* is the risk that in the event of the failure of a counterparty, the District will not be able to recover the value of its investments that are in the possession of an outside party. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at June 30, 2006 are as follows:

Cash	\$ 3,120,839
Investments	3,480,139
<b>Total Cash and Investments</b>	<u><b>\$ 6,600,978</b></u>
Cash and investments - governmental funds, balance sheet	\$ 6,186,004
Cash and investments - student activities agency fund	414,974
<b>Total Cash and Investments</b>	<u><b>\$ 6,600,978</b></u>

**SOUTH SANPETE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets, not being depreciated:</b>				
Land	\$ 868,527	\$ -	\$ (20,076)	\$ 848,451
Construction in progress		128,000		128,000
Water stock	833,820	-	-	833,820
<b>Total capital assets, not being depreciated</b>	<b>1,702,347</b>	<b>128,000</b>	<b>(20,076)</b>	<b>1,810,271</b>
<b>Capital assets, being depreciated:</b>				
Vehicles and buses	2,389,878	164,583	(65,459)	2,489,002
Buildings and improvements	31,855,631	228,164	-	32,083,795
Furniture and equipment	751,156	118,287	(29,000)	840,443
<b>Total capital assets, being depreciated</b>	<b>34,996,665</b>	<b>511,034</b>	<b>(94,459)</b>	<b>35,413,240</b>
<b>Accumulated depreciation for:</b>				
Vehicles and buses	(1,626,997)	(164,872)	65,459	(1,726,410)
Buildings and improvements	(13,333,088)	(755,637)	-	(14,088,725)
Furniture and equipment	(546,346)	(35,929)	29,000	(553,275)
<b>Total accumulated depreciation</b>	<b>(15,506,431)</b>	<b>(956,438)</b>	<b>94,459</b>	<b>(16,368,410)</b>
<b>Total capital assets, being depreciated, net</b>	<b>19,490,234</b>	<b>(445,404)</b>	<b>-</b>	<b>19,044,830</b>
<b>Total Capital Assets, Net</b>	<b>\$ 21,192,581</b>	<b>\$ (317,404)</b>	<b>\$ (20,076)</b>	<b>\$ 20,855,101</b>

For the year ended June 30, 2006, depreciation expense was charged to functions of the District as follows:

Instructional services	\$ 500,963
Supporting services:	
Student services	203,124
Instructional staff services	4,482
District administration services	51,419
School administration services	31,090
Operation and maintenance of facilities services	17,382
Transportation services	123,598
School lunch services	24,380
<b>Total depreciation expense</b>	<b>\$ 956,438</b>

# SOUTH SANPETE SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 4 DEFERRED REVENUE

In conjunction with the implementation of GASB pronouncement 33 "Accounting and Financial Reporting for Nonexchange Transactions" the District has accrued property tax receivables and deferred property tax revenues in the following funds:

General	\$ 1,453,511
Debt service	930,062
Capital projects	434,430
	<u>\$ 2,818,003</u>

Property taxes attach as an enforceable lien on property as of the first day of January of the year, therefore the District has recorded an accrued property tax receivable for the estimated amount of the total property tax to be levied on October 1, 2006. The District records property tax revenues in the governmental funds using the modified accrual basis of accounting, wherein revenues are recognized when they are both measurable and available (expected to be received within 60 days). Since property taxes are levied after year end on October 1, 2006, they cannot be recognized as revenue for fiscal year 2006. Therefore, the District has recorded the estimated property tax revenue for fiscal year 2006 as deferred revenue in the fund financial statements.

The District had non-consumed federal food commodities on hand at year end in the amount of \$10,343 that have been recorded as deferred revenue.

### NOTE 5 LONG-TERM LIABILITIES

The following is a summary of changes in long-term debt for the year ended June 30, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 3,030,000	\$ -	\$ (2,640,000)	\$ 390,000	\$ 390,000
Refunding bonds		2,415,000	(60,000)	2,355,000	25,000
Premium on refunding bond		39,733	(5,463)	34,270	5,960
Total bonds payable	3,030,000	2,454,733	(2,705,463)	2,779,270	420,960
Notes payable	2,203,075	800,000		3,003,075	
Total governmental activity long-term liabilities	<u>\$ 5,233,075</u>	<u>\$ 3,254,733</u>	<u>\$ (2,705,463)</u>	<u>\$ 5,782,345</u>	<u>\$ 420,960</u>

Payments on the general obligation bonds and notes payable are made by the Debt Service Fund with property taxes.

#### General Obligation Bonds

In March 1997, the District issued \$3,500,000 of South Sanpete School District General Obligation School Building Bonds. These bonds are dated March 15, 1997 and have a graduated interest rate of 4.30% to 5.35% for inception to final scheduled payment, respectively.

**SOUTH SANPETE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 5 LONG-TERM LIABILITIES (Continued)**

In August 2005, the District issued \$2,415,000 of General Obligation Refunding Bonds, Series 2005. The proceeds of which were used to refund in advance \$2,265,000 of the District's currently outstanding General Obligation Bonds, Series 1997, which will mature between 2008 and 2012. These bonds are dated August 2, 2005 and have a graduated interest rate of 3.0% to 4.0 % from inception to final scheduled payment, respectively. The final scheduled payment is scheduled to be paid on March 1, 2012. The refunding did not defease \$615,000 of the original 1997 bonds. Cash flows required under the old debt service schedule for the defeased portion of debt was \$2,873,085, and for the new debt will \$2,812,826. The gain from refunding will be a savings in debt service costs of \$60,259. All defeased debt is currently outstanding.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2006, including interest payments are as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 415,000	\$ 104,690	\$ 519,690
2008	435,000	84,050	519,050
2009	450,000	68,825	518,825
2010	465,000	53,075	518,075
2011	480,000	36,800	516,800
2012	500,000	20,000	520,000
<b>Total</b>	<u>\$ 2,745,000</u>	<u>\$ 367,440</u>	<u>\$ 3,112,440</u>

Notes Payable

In April 1997 and in February 1998, the District originated promissory notes from the Utah State Board of Education in the amounts of \$6,000,000 and \$1,100,000 respectively, with 10 payments starting July 1, 1998 and July 1, 1999 respectively, and having an interest rate of 1% assessed on the loan annually. The funds for the note came from the Utah State Legislature's "school building revolving account" and the note proceeds are to only be used for the completion of school building projects or parts thereof within the District as approved by the Utah State Office of Education.

In November 1998, the District originated a promissory note from the Utah State Board of Education in the amount of \$1,000,000, with 10 payments starting July 1, 1999 and having an interest rate of 1% assessed on the loan annually. The funds for the note came from the Utah State Legislature's "school building revolving account" and the note proceeds are to only be used for the completion of school building projects or parts thereof within the District as approved by the Utah State Office of Education.

In April 2006, the District renegotiated the terms of its previously issued promissory notes from the Utah State Board of Education dated April 1997, February 1998 and November 1998. In addition to renegotiating the terms of these promissory notes the District also received \$800,000. The terms renegotiated by the new agreement postponed \$1,378,376 of principal payments, and increased the interest rate on the total loan balance to 1.71%.



**SOUTH SANPETE SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

**NOTE 5 LONG-TERM LIABILITIES (Continued)**

The annual requirements to amortize all notes outstanding as of June 30, 2006, including interest payments are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ -	\$ 40,104	\$ 40,104
2008	-	51,352	51,352
2009	1,001,025	51,352	1,052,377
2010	1,001,025	34,235	1,035,260
2011	1,001,025	17,119	1,018,144
<b>Total</b>	<b>\$ 3,003,075</b>	<b>\$ 194,162</b>	<b>\$ 3,197,237</b>

**NOTE 6 LEASES**

The District has entered into an agreement to lease the old Manti High School building to Manti City Corporation. The lease is for \$1,000 a year for 50 years, ending in the year 2034 with an option for an additional 50 years thereafter. The lessee, Manti City Corporation, is responsible for all improvements, operating costs, and insurance on the building.

**NOTE 7 DEFINED BENEFIT PENSION PLAN**

*Plan Description* - The District contributes to the School Contributory Retirement System and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). All District employees hired to a position expected to last at least 9 months and who work 20 or more hours per week are eligible to participate in the pensions plans. Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the School Contributory Retirement System and School Noncontributory Retirement System. A copy of the report may be obtained by writing to Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

*Funding Policy* - Plan members in the School Contributory Retirement System are required to contribute 6% of their annual covered salary (of which 5.0% is paid by the District for the employee) and the District is required to contribute 8.890% of their annual covered salary. In the School Noncontributory Retirement System the District is required to contribute 13.380% of their annual covered salary. The contribution rates are actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District's contributions to the State and School Contributory Retirement System for the years ended June 30, 2006, 2005 and 2004 were \$9,527, \$11,407 and \$9,667 respectively, and for the Noncontributory Retirement System the contributions for the years ended June 30, 2006, 2005, and 2004 were \$1,193,648, \$1,189,225 and \$992,795 respectively. The contributions were equal to the required contributions for the year.

# SOUTH SANPETE SCHOOL DISTRICT

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### NOTE 7 DEFINED BENEFIT PENSION PLAN (Continued)

*IRC Code Section 401K Plan* - The District participates in a 401K plan offered through the Utah State Retirement System. The District's contributions for years ended June 30, 2006, 2005, and 2004 were \$162,544, \$163,781 and \$137,088 respectively. The employee's contributions for the years ended June 30, 2006, 2005, and 2004 were \$207,031, \$205,943 and \$157,604 respectively.

### NOTE 8 PUBLIC ENTITY RISK POOL

The District is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions and natural disasters. The District participates in the Utah Local Government Insurance Trust, a public entity risk pool to manage its risk of loss. The District pays an annual premium to the trust for its general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2006 there were no outstanding unpaid claims. Also, the District had no claim settlements during the year which exceeded its insurance coverage.

### NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of "interfund transfers" as of June 30, 2006, is as follows:

Fund	In	Out
General	\$ 290,284	\$ 60,000
Special revenue - School lunch	60,000	-
Special revenue - non K-12	-	290,284
	\$ 350,284	\$ 350,284

The purpose of the interfund transfers is to meet the District's ongoing need for cash.

### NOTE 10 GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such an audit could become a liability of the General Fund or other applicable fund. Based on prior experience, the District administration believes such disallowance, if any, would be immaterial.

### NOTE 11 SPECIAL ITEM - PRIOR YEAR GRANT NOT RECEIVED

During the year ended June 30, 2005, the District recorded a receivable for a grant from the Utah State Office of Education (USOE) for \$162,308. The amount was never received by the District during the current fiscal year. The District was then notified that the amount had previously been paid during the prior year under another program. Management elected to treat this item as a special item so as to not distort current year financial information.

**SUPPLEMENTARY INFORMATION**

**SOUTH SANPETE SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2006**

	<u>Special Revenue</u>		<u>Total</u>
	<u>Non K-12 Programs</u>	<u>School Lunch</u>	<u>Nonmajor Governmental Funds</u>
<b>Assets:</b>			
Cash and investments	\$ 297,712	\$ 132	\$ 297,844
Due from other governments	65,563	35,195	100,758
Inventories	-	42,774	42,774
Inventories - commodities	-	10,343	10,343
<b>Total Assets</b>	<u>\$ 363,275</u>	<u>\$ 88,444</u>	<u>\$ 451,719</u>
<b>Liabilities:</b>			
Accounts payable	4,264	-	4,264
Accrued salaries	186,556	22,531	209,087
Due to other funds	-	-	-
Deferred revenue:			
Federal sources	-	10,343	10,343
<b>Total Liabilities</b>	<u>190,820</u>	<u>32,874</u>	<u>223,694</u>
<b>Fund Balances:</b>			
Unreserved, undesignated	172,455	55,570	228,025
<b>Total Fund Balances</b>	<u>172,455</u>	<u>55,570</u>	<u>228,025</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 363,275</u>	<u>\$ 88,444</u>	<u>\$ 451,719</u>

**SOUTH SANPETE SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2006**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Non K-12 Programs</u>	<u>School Lunch</u>	
<b>Revenues:</b>			
Lunch sales	\$ -	\$ 283,274	\$ 283,274
Other local revenues	45,640	-	45,640
State revenues	1,667,713	133,331	1,801,044
Federal revenues	71,241	600,430	671,671
<b>Total Revenues</b>	<u>1,784,594</u>	<u>1,017,035</u>	<u>2,801,629</u>
<b>Expenditures:</b>			
Current:			
Instructional services	1,562,145	-	1,562,145
Supporting services:			
Operation and maintenance of facilities	137,880	-	137,880
School lunch services	-	1,000,361	1,000,361
<b>Total Expenditures</b>	<u>1,700,025</u>	<u>1,000,361</u>	<u>2,700,386</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>84,569</u>	<u>16,674</u>	<u>101,243</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in	-	60,000	60,000
Transfer out	(290,284)	-	(290,284)
Special Item - prior year grant not received	(162,308)	-	(162,308)
<b>Total Other Financing Sources (Uses)</b>	<u>(452,592)</u>	<u>60,000</u>	<u>(392,592)</u>
<b>Net Change in Fund Balances</b>	<u>(368,023)</u>	<u>76,674</u>	<u>(291,349)</u>
<b>Fund Balances - Beginning</b>	<u>540,478</u>	<u>(21,104)</u>	<u>519,374</u>
<b>Fund Balances - Ending</b>	<u>\$ 172,455</u>	<u>\$ 55,570</u>	<u>\$ 228,025</u>

**SOUTH SANPETE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**- BUDGET AND ACTUAL - NON K-12 PROGRAMS - NONMAJOR SPECIAL**  
**REVENUE FUND**  
**For The Year Ended June 30, 2006**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
Local Revenues:			
Other local revenues	\$ 60,000	\$ 45,640	\$ (14,360)
<b>Total Local Revenues</b>	<u>60,000</u>	<u>45,640</u>	<u>(14,360)</u>
State Revenues:			
Adult high school completion	327,087	330,012	2,925
Preschool	211,151	211,151	-
Revenues from others state agencies	1,097,334	1,126,550	29,216
<b>Total State Revenues</b>	<u>1,635,572</u>	<u>1,667,713</u>	<u>32,141</u>
Federal Revenues:			
Special education preschool grant	71,241	71,241	-
Other revenues from federal sources	150,000	-	(150,000)
<b>Total Federal Revenues</b>	<u>221,241</u>	<u>71,241</u>	<u>(150,000)</u>
<b>Total Revenues</b>	<u>1,916,813</u>	<u>1,784,594</u>	<u>(132,219)</u>
<b>Expenditures:</b>			
Current:			
Salaries	2,013,083	1,036,968	976,115
Employee benefits	389,000	365,557	23,443
Purchased services	193,000	50,226	142,774
Supplies and materials	169,500	137,880	31,620
Equipment	20,000	-	20,000
Other expenditures	126,200	109,394	16,806
<b>Total Expenditures</b>	<u>2,910,783</u>	<u>1,700,025</u>	<u>1,210,758</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(993,970)	84,569	1,078,539
<b>Other Financing Sources (Uses):</b>			
Transfer out	(290,284)	(290,284)	-
Special item - prior year grant not received	(163,208)	(162,308)	(900)
<b>Total Other Financing Sources (Uses)</b>	<u>(453,492)</u>	<u>(452,592)</u>	<u>(900)</u>
<b>Net Change in Fund Balance</b>	(1,447,462)	(368,023)	1,077,639
<b>Fund Balances - Beginning</b>	<u>540,478</u>	<u>540,478</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ (906,984)</u>	<u>\$ 172,455</u>	<u>\$ -</u>

**SOUTH SANPETE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**- BUDGET AND ACTUAL - SCHOOL LUNCH - NONMAJOR SPECIAL REVENUE**  
**FUND**  
**For The Year Ended June 30, 2006**

	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>			
<b>Local Revenues:</b>			
Lunch sales	\$ 270,000	\$ 283,274	\$ 13,274
<b>Total Local Revenues</b>	<u>270,000</u>	<u>283,274</u>	<u>13,274</u>
<b>State Revenues:</b>			
State lunch program	112,171	133,331	21,160
<b>Total State Revenues</b>	<u>112,171</u>	<u>133,331</u>	<u>21,160</u>
<b>Federal Revenues:</b>			
Federal lunch program	70,000	81,138	11,138
Free and reduced assistance	400,000	398,994	(1,006)
Breakfast program	45,000	52,751	7,751
Special milk	4,132	3,994	(138)
Other	4,000	3,014	(986)
Donated commodities	60,000	60,539	539
<b>Total Federal Revenues</b>	<u>583,132</u>	<u>600,430</u>	<u>17,298</u>
<b>Total Revenues</b>	<u>965,303</u>	<u>1,017,035</u>	<u>51,732</u>
<b>Expenditures:</b>			
<b>Current:</b>			
Salaries	435,000	412,964	22,036
Employee benefits	268,000	259,113	8,887
Purchased services	4,500	4,142	358
Food	275,000	250,478	24,522
Equipment	500	-	500
Other expenditures	13,500	13,125	375
Donated commodities	-	60,539	(60,539)
<b>Total Expenditures</b>	<u>996,500</u>	<u>1,000,361</u>	<u>(3,861)</u>
<b>Excess (Deficiency) of Revenues Over     (Under) Expenditures</b>	<u>(31,197)</u>	<u>16,674</u>	<u>47,871</u>
<b>Other Financing Sources (Uses):</b>			
Transfer in	50,000	60,000	10,000
<b>Total Other Financing Sources (Uses)</b>	<u>50,000</u>	<u>60,000</u>	<u>10,000</u>
<b>Net Change in Fund Balances</b>	<u>18,803</u>	<u>76,674</u>	<u>57,871</u>
<b>Fund Balances - Beginning</b>	<u>(21,104)</u>	<u>(21,104)</u>	<u>-</u>
<b>Fund Balances - Ending</b>	<u>\$ (2,301)</u>	<u>\$ 55,570</u>	<u>\$ -</u>

**SOUTH SANPETE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – MAJOR DEBT SERVICE FUND**  
**For The Year Ended June 30, 2006**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Revenues:</b>			
<b>Local Revenues:</b>			
Property tax	\$ 883,226	\$ 1,176,470	\$ 293,244
Earnings on investments	2,000	15,487	13,487
Other miscellaneous revenues		3,370	3,370
<b>Total Local Revenues</b>	<u>885,226</u>	<u>1,195,327</u>	<u>310,101</u>
<b>Total Revenues</b>	<u>885,226</u>	<u>1,195,327</u>	<u>310,101</u>
<b>Expenditures:</b>			
<b>Debt service:</b>			
Bond & note principal	500,000	435,000	65,000
Bond & note interest	120,000	88,620	31,380
Debt issuance costs on refunding	50,000	49,524	476
Miscellaneous expenditures	500	291	209
<b>Total Expenditures</b>	<u>670,500</u>	<u>573,435</u>	<u>97,065</u>
<b>Excess (Deficiency) of Revenues Over     (Under) Expenditures</b>	214,726	621,892	407,166
<b>Other Financing Sources (Uses):</b>			
Premium on Issuance	39,733	39,733	-
Issuance of refunding bonds	2,415,000	2,415,000	-
Payment to refunded bond escrow	(2,405,209)	(2,405,209)	-
<b>Total Other Financing Sources (Uses)</b>	<u>49,524</u>	<u>49,524</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	264,250	671,416	407,166
<b>Fund Balances - Beginning</b>	7,298	7,298	-
<b>Fund Balances - Ending</b>	<u><u>\$ 271,548</u></u>	<u><u>\$ 678,714</u></u>	<u><u>\$ -</u></u>



**SOUTH SANPETE SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES – BUDGET AND ACTUAL – MAJOR CAPITAL PROJECTS FUND**  
**For The Year Ended June 30, 2006**

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
<b>Revenues:</b>			
<b>Local Revenues:</b>			
Property taxes	\$ 433,000	\$ 510,343	\$ 77,343
Earnings on investments	32,000	58,968	26,968
<b>Total Local Revenues</b>	<u>465,000</u>	<u>569,311</u>	<u>104,311</u>
<b>State Revenues:</b>			
Capital outlay foundation	540,000	539,058	(942)
<b>Total State Revenues</b>	<u>540,000</u>	<u>539,058</u>	<u>(942)</u>
<b>Total Revenues</b>	<u>1,005,000</u>	<u>1,108,369</u>	<u>103,369</u>
<b>Expenditures:</b>			
Operation and maintenance of facilities	80,000	-	80,000
Facilities acquisition and construction:	1,065,000	750,407	314,593
<b>Total Expenditures</b>	<u>1,145,000</u>	<u>750,407</u>	<u>394,593</u>
<b>Excess (Deficiency) of Revenues</b>			
<b>Over (Under) Expenditures</b>	<u>(140,000)</u>	<u>357,962</u>	<u>497,962</u>
<b>Other Financing Sources (Uses):</b>			
Proceeds from debt	800,000	800,000	
Sale of capital assets	25,000	31,800	6,800
<b>Total Other Financing Sources (Uses)</b>	<u>825,000</u>	<u>831,800</u>	<u>6,800</u>
<b>Net Change in Fund Balances</b>	685,000	1,189,762	504,762
<b>Fund Balances - Beginning</b>	1,171,467	1,171,467	-
<b>Fund Balances - Ending</b>	<u>\$ 1,856,467</u>	<u>\$ 2,361,229</u>	<u>\$ -</u>

**SOUTH SANPETE SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**STUDENT ACTIVITIES AGENCY FUND**  
**For The Year Ended June 30, 2006**

	<u>Balance at July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2006</u>
<b>Assets:</b>				
Cash and investments	\$ 418,241	\$ 1,263,034	\$ 1,266,301	\$ 414,974
<b>Liabilities:</b>				
<b>Elementary Schools:</b>				
Ephraim Elementary	\$ 12,376	\$ 77,141	\$ 75,203	\$ 14,314
Manti Elementary	49,734	64,609	63,525	50,818
Gunnison Elementary	4,165	66,646	67,010	3,801
<b>Total Elementary Schools</b>	<u>66,275</u>	<u>208,396</u>	<u>205,738</u>	<u>68,933</u>
<b>Middle Schools:</b>				
Ephraim Middle	62,636	186,677	190,371	58,942
Gunnison Middle	55,195	93,977	90,153	59,019
<b>Total Middle Schools</b>	<u>117,831</u>	<u>280,654</u>	<u>280,524</u>	<u>117,961</u>
<b>High Schools:</b>				
Manti High	111,246	392,921	390,459	113,708
Gunnison High	121,466	369,894	380,223	111,137
<b>Total High Schools</b>	<u>232,712</u>	<u>762,815</u>	<u>770,682</u>	<u>224,845</u>
<b>Alternative Schools</b>				
Central Utah Academy	988	5,143	4,572	1,559
Sanpete Academy	435	6,026	4,785	1,676
<b>Total Alternative Schools</b>	<u>1,423</u>	<u>11,169</u>	<u>9,357</u>	<u>3,235</u>
<b>Total Liabilities</b>	<u>\$ 418,241</u>	<u>\$ 1,263,034</u>	<u>\$ 1,266,301</u>	<u>\$ 414,974</u>

**SOUTH SANPETE SCHOOL DISTRICT  
GUNNISON VALLEY PRISON FUNDS  
For The Year Ended June 30, 2006**

**Revenue:**

Local sources  
State sources

\$ 38,084  
1,454,762

**Total Revenues**

1,492,846

**Expenditures:**

Salaries  
Benefits  
Insurance  
Outside Services  
Travel  
Supplies and materials  
Equipment  
Building project  
Indirect costs

858,625  
172,952  
137,088  
13,485  
1,872  
59,201  
465  
37,075  
107,429

**Total Expenditures**

1,388,192

**Excess (Deficiency) of Revenues (Under) Expenditures**

104,654

**Special Item - prior year grant not received**

(162,308)

**Balance, Beginning of Year**

24,843

**Balance, End of Year**

\$ (32,811)



---

**Jensen & Keddington, P.C.**

Certified Public Accountants

Jeffrey B. Jensen, CPA  
Gary K. Keddington, CPA  
Brent E. Christensen, CPA  
Jeffrey B. Hill, CPA

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the President and Members  
of the Board of Education of  
South Sanpete School District  
Manti, Utah

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of South Sanpete School District (the District), as of and for the year ended June 30, 2006, which collectively comprise the South Sanpete School District's basic financial statements and have issued our report thereon dated November 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered South Sanpete School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The reportable condition noted was that there is a lack of segregation of duties in the District's accounting system. Certain individuals have access to both physical assets and the related accounting records, reconcile accounts, prepare reports, and have access to all phases of transactions. This is inherent due to the size of the District office. For details of this reportable condition, refer to the *Schedule of Findings and Questioned Costs* section of this report.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Sanpete School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance that we have reported to the management of South Sanpete School District in the accompanying *Schedule of Findings and Questioned Costs*.

This report is intended for the information of the management and members of the Board of Education of South Sanpete School District and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Jensen & Keddington*

November 7, 2006



---

**Jensen & Keddington, P.C.**

Certified Public Accountants

Jeffrey B. Jensen, CPA  
Gary K. Keddington, CPA  
Brent E. Christensen, CPA  
Jeffrey B. Hill, CPA

**REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the President and Members  
of the Board of Education of  
South Sanpete School District  
Manti, Utah

**Compliance**

We have audited the compliance of South Sanpete School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditors' results section in the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be a material weakness. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the management and members of the Board of Education of the District and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Jenson & Keddington*

November 7, 2006

**SOUTH SANPETE SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2006**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Disbursements Expenditures</b>
<b>U.S. Department of Education</b>			
Passed Through State:			
Title 1 Grants to Local Educational Agencies	84.010	10	\$ 423,626
Title 1 Program for Neglected and Delinquent Children	84.013	13	21,175
Special Education - Grants to States	84.027	19	673,843
Special Education - Preschool	84.173	52	71,241
Vocational Education	84.048	21	47,728
Safe and Drug Free Schools	84.186	09	15,593
Migrant Education	84.011	57	33,834
Improving Teacher Quality	84.367	74	146,547
NCLB State Assessments	84.369	76	16,811
English Language Acquisition	84.365	14	25,702
<b>Total U.S. Department of Education</b>			<u>1,476,100</u>
<b>U.S. Department of Health</b>			
Passed Through State:			
Medicaid Title 19	93.778	RA776489	<u>158,051</u>
<b>Total U.S. Department of Health</b>			<u>158,051</u>
<b>U.S. Department of Agriculture</b>			
Passed Through State:			
Food Distribution - Commodities	10.550	N/A	60,538
School Breakfast Program	10.553	44	52,751
School Lunch Program	10.555	42/43	480,132
Special Milk Program	10.556	41	3,994
Other Federal Awards	10.558	47/49	3,014
Pass Through Sanpete County:			
Forest Reserve	10.665	N/A	<u>13,279</u>
<b>Total U.S. Department of Agriculture</b>			<u>613,708</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 2,247,859</u>

The accompanying notes are an integral part of this schedule.



**SOUTH SANPETE SCHOOL DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For The Year Ended June 30, 2006**

1. *General* - the *Schedule of Expenditures of Federal Awards* presents the activity of all federal awards of South Sanpete School District. All federal awards which were received from passed-through governmental agencies are included on the *Schedule of Expenditures of Federal Awards*.
2. *Basis of Accounting* - The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting.
3. *Noncash Federal Awards* - Noncash federal awards that were received were in the form of food commodities. The Utah State Office of Education estimates the per unit fair market value of these commodities. Noncash federal financial assistance is calculated by multiplying the per unit fair market value by the net commodities consumed.



---

**Jensen & Keddington, P.C.**

Certified Public Accountants

Jeffrey B. Jensen, CPA  
Gary K. Keddington, CPA  
Brent E. Christensen, CPA  
Jeffrey B. Hill, CPA

**INDEPENDENT AUDITORS' REPORT  
ON STATE OF UTAH  
LEGAL COMPLIANCE**

The President and Members of  
the Board of Education of  
South Sanpete School District  
Manti, Utah

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Sanpete School District (the District), for the year ended June 30, 2006 and have issued our report thereon dated November 7, 2006. As part of our audit, we have audited South Sanpete School District's compliance with the applicable requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The District received the following major State assistance programs from the State of Utah:

Minimum School Program  
School Building Program

The District also received the following non-major grants which are not required to be audited for specific compliance requirements:

Driver Education

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Cash Management  
Purchasing Requirements  
Budgetary Compliance  
Truth in Taxation and Property Tax Limitations  
Fall Enrollment and Student Membership  
Other General Compliance Issues

The management of South Sanpete School District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying *Schedule of Findings and Questioned Costs* section of this report. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion South Sanpete School District, complied, in all material respects, with the general compliance requirements identified above and the applicable requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

*Jansen & Keddington*

November 7, 2006

**SOUTH SANPETE SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For The Year Ended June 30, 2006**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of South Sanpete School District
2. There is one reportable condition disclosed during the audit of the basic financial statements that is reported in this schedule. The reportable condition is not deemed to be a material weakness.
3. No instances of noncompliance material to the financial statements of South Sanpete School District, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions relating to the audit of the internal control over major federal award programs are reported in this schedule.
5. The auditor's report on compliance for the major federal awards programs for South Sanpete School District expressed an unqualified opinion.
6. Audit findings relative to the major federal award programs are reported in part C of this schedule.
7. The program tested as a major program was 1.) Improving Teacher Quality, CFDA number 84.010 2.) Child Nutrition cluster, CFDA numbers 10.553, 10.555, 10.556, 10.559.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. South Sanpete School District was determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL AUDIT AND GOVERNMENT AUDITING STANDARDS**

**1. SEGREGATION OF DUTIES (Reportable Condition)**

Finding

There is a lack of segregation of duties in the District's accounting system. Certain individuals have access to both physical assets and the related accounting records, reconcile accounts, prepare reports, and have access to all phases of transactions. This is inherent due to the size of the District Office. This finding was in the prior year's audit report.

Recommendation

We have observed that the District has implemented internal control procedures to help compensate for the lack of segregation of duties in the accounting system. In addition, we increased our audit procedures in areas where there was a lack of segregation of duties. We recommend that the District continue to use the internal control policies established.

**C. FINDINGS – MAJOR FEDERAL AWARDS PROGRAMS**

None

**SOUTH SANPETE SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**  
**For The Year Ended June 30, 2006**

**D. FINDINGS – STATE OF UTAH LEGAL COMPLIANCE**

1. EXPENDITURES IN EXCESS OF BUDGET

Finding

The District's *Special Revenue – Food Service Fund* exceeded the budgeted expenditures by \$3,861 for fiscal year 2006. Utah State Code Section 53a-17 states, "Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriates for any department of fund." A similar finding was written in the prior year's audit report.

Recommendation

We recommend that the District closely monitor expenditures in the funds to ensure the District is in compliance with Utah State Code.

**SOUTH SANPETE SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
For The Year Ended June 30, 2006**

2005 #1. SEGREGATION OF DUTIES (Reportable Condition)

Finding

There is a lack of segregation of duties in the District's accounting system. Certain individuals have access to both physical assets and the related accounting records, reconcile accounts, prepare reports, and have access to all phases of the transactions. This is inherent due to the size of the District office. This finding was in the prior year's audit report.

Recommendation

We have observed that the District has implemented internal control procedures to help compensate for the lack of segregation of duties in the accounting system. In addition, we increased our audit procedures in areas where there was a lack of segregation of duties. We recommend that the District continue to use the internal control policies established.

Current status

Inherent to the size of the District there are no controls that can be set up to avoid this finding on segregation of duties.

2005 #2. DEFICIT FUND BALANCE

Finding

The District had a deficit fund balance in the Special Revenues – Food Service fund as of the end of the year. This is a violation of the Utah Code Section 10-6-117. A similar finding was written in the prior year's audit report.

Recommendation

We recommend that the District implement procedures to eliminate the deficit fund balance.

Current status

The recommendation was implemented during the year in an attempt to reduce the deficit fund balance. The negative fund balance was eliminated during the current fiscal year.

2005 #3. EXPENDITURES IN EXCESS OF BUDGET

Finding

The District's *General Fund* exceeded the budgeted expenditures by \$204,556 for fiscal year 2005. Utah State Code Section 53a-17 states, "Officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriates for any department of fund."

Recommendation

We recommend that the District closely monitor expenditures in the funds to ensure the District is in compliance with Utah State code.

Current status

The recommendation was implemented during the year in an attempt to eliminate expenditures in excess of budget. It was noted that during the current fiscal year a finding was also noted for this compliance requirement.

Donald R. Hill  
Superintendent

Brenan L. Jackson  
Assistant Superintendent

R. Paul Gottfredson  
Business Administrator

Boyd A. Donaldson  
ATE Director

Analee Knudsen  
School Food Services

## South Sanpete School District

39 South Main

Manti, Utah 84642

Phone (435) 835-2261

Fax: (435) 835-2265

<http://www.ssanpete.k12.ut.us>

Michael D. Barclay  
President  
Manti, Utah

Larry K. Smith, Ph.D.  
Vice President  
Ephraim, Utah

James M. Braithwaite  
Manti, Utah

Nancy R. Jensen  
Centerfield, Utah

Kim R. Pickett  
Gunnison, Utah

November 28, 2006

Jensen and Keddington  
Certified Public Accountants  
292 South College Drive  
Suite 101  
Salt Lake City, UT 84123

Dear Jensen and Keddington:

As Business Administrator, I have been asked to respond to the Schedule of Findings and Questioned Costs relating to the 2005-06 Audit of South Sanpete School District.

### Segregation of Duties:

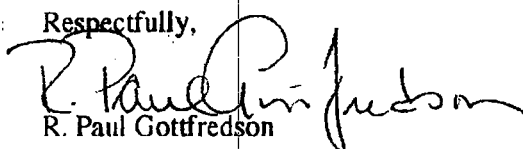
District personnel are well aware of the over-lap of duties that are inherent to districts of our size and geographic location. There are many internal-control procedures that have been implemented to assure that those individuals who have access to both physical assets and accounting records do not have total and complete control of either assets or accounting records. The South Sanpete Board of Education is very aware of this inherent problem. The District will continue to use the internal control policies that are established.

### Expenditures in Excess of Budget: (Legal Compliance Issue)

Audit notes indicate that the Food Service fund expenditures exceeded the budgeted amount by \$3,861. The Food Service expenditure budget is separated in eight categories. It is noted that all categories, with the exception of food supplies, was under budget. Food costs were much higher than anticipated in FY06. The District will make sure that it will monitor supply expense and will budget for increase food costs in FY07.

Thank you for these comments and recommendations.

Respectfully,

  
R. Paul Gottfredson  
Business Administrator